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Message Text

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ORIGIN IO-13

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00 TRSE-00
AID-05 EB-07 SIG-01 COME-00 OMB-01 ABF-01 FRB-03
CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05
PA-01 PRS-01 SP-02 SS-15 SSO-00 INRE-00 NSCE-00
USIE-00 /114 R

DRAFTED BY IO/DHP:DCKURTZER/CJNEE:LYM
APPROVED BY IO:SWLEWIS
IO:RDMOREY TRSY:ESCHWARTZ
IO/DHP:CENORRIS
IO/ML:PWKRIEBEL EA/LMCNUTT
AID/PPC/IA:PSALES
EUR/SOV:JCOLBERT NEA:JRCHEEK
EB: RJRYAN
AF:ESEGALL
ARA:CFINAN
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O 121737Z JAN 77
FM SECSTATE WASHDC
TO AMEMBASSY BUENOS AIRES IMMEDIATE
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AMEMBASSY GEORGETOWN IMMEDIATE
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AMEMBASSY JAKARTA IMMEDIATE
AMEMBASSY TEHRAN IMMEDIATE
AMEMBASSY ROME IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY KUWAIT IMMEDIATE
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AMEMBASSY MEXICO IMMEDIATE
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USMISSION GENEVA IMMEDIATE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
AMEMBASSY BUCHAREST
AMEMBASSY BANGUI
AMEMBASSY CARACAS
AMEMBASSY DAR ES SALAAM
AMEMBASSY DAKAR
AMEMBASSY BUDAPEST
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AMEMBASSY PORT OF SPAIN
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AMEMBASSY NDJAMENA
AMEMBASSY KINSHASA
AMEMBASSY PRAGUE
AMEMBASSY LUSAKA
AMEMBASSY LA PAZ
AMEMBASSY KIGALI
AMEMBASSY MASERU
AMEMBASSY YAOUNDE
USLO PEKING
AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: UNDP, EAID

SUBJECT: UNDP: AIDE-MEMOIRE AND DRAFT U.S. PROPOSAL
ON USE OF ACCUMULATED NON-CONVERTIBLE CURRENCIES

REF: (A) STATE 179843; (B) STATE 213908 (NOTAL);
(C) STATE 236335 (NOTAL); (D) STATE 6774

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1. REF D PROVIDES TALKING POINTS ON PROPOSED U.S. INITIATIVE ON USE OF ACCUMULATED CURRENCIES WHICH WILL BE PRESENTED TO UNDP GOVERNING COUNCIL AT SESSION BEGINNING JANUARY 17. THIS MESSAGE CONTAINS DETAILED AIDE-MEMOIRE AND TEXT OF DRAFT PROPOSAL WHICH ACTION ADDRESSEES SHOULD LEAVE WITH HOST GOVENMENTS FOR THEIR CONSIDERATION.FRENCH AND SPANISH TRANSLATIONS TO APPPROPRIATE POSTS WILL FOLLOW SEPTEL.
2. AIDE-MEMOIRE

- UNDP IS FACED WITH A GROWING ACCUMULATION OF CERTAIN NON-CONVERTIBLE CURRENCIES WHICH ARE NOT READILY USABLE
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IN THE ORGANIZATION'S TECHNICAL ASSISTANCE PROGRAMS. THE TOTAL OF THESE UNUSABLE CURRENCIES INCREASED BY DOLS 8.4 MILLION IN 1976 AND NOW AMOUNTS TO DOLS 38.1 MILLION. THE ACCUMULATION OF THESE FUNDS HAS BEEN A MAJOR FACTOR IN UNDP'S FINANCIAL CRISIS. THE IMPORTANCE OF THIS FACTOR

IN UNDP'S LIQUIDITY PROBLEM IS DEMONSTRATED BY THE NEAR EQUIVALENCE OF THE TOTAL OF UNDP'S ESTIMATED HOLDINGS IN NON-USABLE CURRENCIES AND THE LEVEL OF CUTBACKS FORCED ON THE PROGRAM FOR 1976 (DOLS 40 MILLION). THE COUNTRY BY COUNTRY ANNUAL EXPENDITURE CEILINGS IMPOSED TO MAKE THESE CUTBACKS EFFECTIVE ARE STILL IN EFFECT. TO RE-ESTABLISH FINANCIAL INTEGRITY AND TO RESTORE PROGRAM PLANNING ON A SOUND BASIS, IT IS IMPERATIVE THAT THE UNDP GOVERNING COUNCIL (GC) TAKE IMMEDIATE STEPS TO SOLVE THE CURRENCY PROBLEM AND TO ASSURE THAT FUTURE CONTRIBUTIONS BE MADE IN USABLE CURRENCIES.

- AT THE JUNE 1976 GC, THE UNITED STATES OFFERED TO PURCHASE, ON A ONE TIME BASIS AND BASED ON OUR NEEDS, SUBSTANTIAL AMOUNTS OF THE ACCUMULATED CURRENCIES. THIS OFFER, IN THE FORM OF AN INFORMAL PROPOSAL, WAS PURSUED BILATERALLY WITH A NUMBER OF DONORS, BUT WAS NOT IMPLEMENTED BECAUSE THE SOVIET UNION TURNED DOWN THE OFFER.

- THE U.S. CONTINUES TO BELIEVE THAT THIS ARRANGEMENT WOULD RESOLVE THE IMMEDIATE PROBLEM OF FINDING A USE FOR UNDP'S NON-USABLE CURRENCIES. ACCORDINGLY, WE PLAN TO INTRODUCE A PROPOSAL INCORPORATING THIS IDEA IN THE UPCOMING GC SESSION (DRAFT PROPOSAL IS ATTACHED).

- THE PROPOSAL PROVIDES THAT, IN THE EVENT THE PURCHASE ARRANGEMENT IS NOT ACCEPTABLE TO DONORS OF THE ACCUMULATED CURRENCIES, THE FOLLOWING AVENUE TO RESOLVING THE PROBLEM WOULD BE OPEN:

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- --THE UNDP GOVERNING COUNCIL PRESENTLY PREPARES INDICATIVE PLANNING FIGURES (IPF) FOR EACH COUNTRY IN WHICH UNDP PROGRAMS ARE PLANNED. THESE IPF'S TAKEN TOGETHER REPRESENT THE TOTAL PLANNED EXPENDITURE OVER A FIVE YEAR PERIOD (SECOND DEVELOPMENT CYCLE - 1977-81) TO BE FINANCED BY THE TOTALITY OF CONTRIBUTIONS MADE TO UNDP DURING THAT PERIOD. BECAUSE OF ITS FINANCIAL CRISIS, AND ESPECIALLY THE FACT THAT SOME CONTRIBUTIONS HAVE NOT BEEN USED, UNDP HAS HAD TO IMPOSE COUNTRY-BY-COUNTRY EXPENDITURE CEILINGS LIMITING THE AMOUNT OF FUNDS THAT COULD BE SPENT ANNUALLY WITHIN THESE IPF ALLOCATIONS;

. --UNDER THE REVISED U.S. PROPOSAL, THAT AMOUNT OF A COUNTRY'S IPF WHICH IS CURRENTLY SUPPORTED BY CONTRIBUTIONS IN NON-USABLE CURRENCIES WOULD BE IDENTIFIED BY

"

ATTRIBUTING TO EACH IPF A PORTION OF THE BALANCE OF THE ACCUMULATED CURRENCIES. THIS WOULD BE DONE BY APPLYING THE RATIO (PERCENT) WHICH EXISTS BETWEEN THE ACCUMULATED CURRENCIES BALANCE DEC 31, 1976 AND THE TOTAL PLANNED ALLOCATION OF PROGRAM FUNDS (IPF'S) DURING THE SECOND CYCLE (1977-81). THUS, AN ADJUSTED TOTAL OF ALL IPF'S FOR THE SECOND CYCLE EQUALLING DOLS 1878.95 MILLION AND A BALANCE OF ACCUMULATED CURRENCIES OF DOLS 38.1 MILLION (DEC 76) WOULD YIELD A TWO PERCENT ELEMENT IN EACH IPF ATTRIBUTABLE TO THE ACCUMULATED NON-USABLE CURRENCIES.

(DOLS MILLIONS)

TOTAL IPF'S, 1977-1981 1947.7

IPF'S OF DONORS IN NON-USABLE

CURRENCIES (68.75)

TOTAL IPF'S - ADJUSTED 1878.95 (A)

BALANCE OF ACCUMULATED CURRENCIES, DEC 31, 1976 38.197 (B)

ELEMENT IN EACH IPF ATTRIBUTABLE TO

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THE ACCUMULATED CURRENCIES (A TO B) 2 PERCENT

--DURING THE SECOND DEVELOPMENT CYCLE (1977-81), EACH RECIPIENT COUNTRY WOULD BE ABLE TO SUBSTITUTE ITS OWN CURRENCY OR HARD CURRENCY FOR THAT TWO PERCENT IDENTIFIED AS ITS SHARE OF THE NON-USABLE CURRENCY. ONCE THE SUBSTITUTION HAS BEEN MADE EXPENDITURES OF THIS PART OF THE IPF FUNDS WOULD NOT BE COVERED BY COUNTRY EXPENDITURES CEILINGS.

--THE RECIPIENT COUNTRY WOULD BE ABLE TO USE THE NON-CONVERTIBLE CURRENCIES FOR WHICH IT HAD EARLIER SUBSTITUTED ITS OWN OR HARD CURRENCY IN THE COUNTRIES OF ORIGIN OF THE CURRENCIES FOR EMBASSY/CONSULATE OPERATIONS.

--THE MAJOR BENEFIT OF THIS ASPECT OF THE PROPOSAL WOULD BE THAT A RECIPIENT COUNTRY WOULD BE ABLE TO EXCEED ITS CURRENT EXPENDITURE CEILING. IF THE RECIPIENT COUNTRY COMPLETED THIS CURRENCY SUBSTITUTION IMMEDIATELY IN 1977, THIS COULD LEAD TO THE AVAILABILITY OF BETWEEN
EIGHT-TEN PERCENT MORE FUNDS IN THAT YEAR
FOR A COUNTRY'S PROGRAM THAN WOULD OTHERWISE BE EXPENDED. OBVIOUSLY, AN INCREASE OF THIS SIZE CAN IMPACT HEAVILY ON A COUNTRY'S DEVELOPMENT PLANS.

- UNDER THE PROPOSAL THE POSSIBILITY WOULD BE LEFT
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OPEN FOR DONOR COUNTRIES TO PURCHASE (WITH AGREEMENT OF COUNTRY OF ORIGIN OF THE ACCUMULATED CURRENCIES) ANY BALANCES REMAINING AFTER ALL SUBSTITUTIONS HAVE BEEN MADE BY RECIPIENT COUNTRIES. THE U.S. IS SEEKING THE WIDEST POSSIBLE CO-SPONSORSHIP FOR THIS PROPOSAL. WE WISH TO STRESS THAT WHEREAS INITIALLY THE ACCUMULATION OF NON-USABLE CURRENCIES IN UNDP WAS NOT A MATTER OF MAJOR CONCERN, IT HAS SINCE DEVELOPED INTO A PROBLEM OF MAJOR PROPORTIONS TO A POINT WHERE THE FINANCIAL STABILITY AND THE VERY NATURE OF UNDP IS THREATENED. IF THIS PRACTIVE IS NOT STOPPED NOW IT COULD BE USED AS A PRECEDENT FOR OTHER DONORS TO RESTRICT THEIR CONTRIBUTIONS. THIS WOULD UNDERMINE THE PROGRAM'S FRAMEWORK WHICH IS TO PLAN AND IMPLEMENT A GLOBAL PROGRAM OF TECHNICAL COOPERATION ASSISTANCE THROUGH A GENERAL FUND COMPOSED OF RESOURCES WHICH ARE FULLY INTERCHANGEABLE AMONG THEMSELVES.

- THE TOTAL AND SOLE BENEFIT OF THIS PROPOSAL WILL GO TO DEVELOPING COUNTRIES THROUGH THE RELEASE OF CURRENTLY IMMOBILIZED ASSETS. A COUNTRY'S DISINCLINA-

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TION TO PARTICIPATE AS A PURCHASER OR TO SUBSTITUTE CURRENCIES SHOULD NOT PRECLUDE IT FROM ACTING AS A CO-SPONSOR.

- DRAFT PROPOSAL TO BE CIRCULATED BY U.S. IN UNDP GOVERNING COUNCIL IS AS FOLLOWS:

THE GOVERNING COUNCIL OF THE UNDP

- CONSCIOUS OF THE PRESSING NEEDS FOR DEVELOPMENT ASSISTANCE;

- BEARING IN MIND THAT THE FUNDAMENTAL OPERATIONAL FRAMEWORK OF UNDP IS THE DELIVERY OF TECHNICAL COOPERATION ASSISTANCE TO DEVELOPING COUNTRIES, SUCH ASSIST-

ANCE BEING PLANNED AND IMPLEMENTED ON THE BASIC PREMISE THAT THE PROGRAM WILL BE FUNDED BY RESOURCES WHICH ARE FULLY INTERCHANGEABLE AMONG THEMSELVES;

- NOTING THE REPORT OF THE ADMINISTRATOR REGARDING THE FINANCIAL SITUATION OF THE PROGRAM, WHICH CONTINUES TO BE A MATTER OF GREAT CONCERN;

- NOTING THE EXPENDITURE CEILINGS INTRODUCED AS A RESULT OF THE PROGRAM'S LIQUIDITY PROBLEM REMAIN IN EFFECT;

- VIEWING WITH CONCERN THE PRACTICE OF SOME CONTRIBUTORS WHO CONTINUE TO RESTRICT THE USE OF THEIR CONTRIBUTIONS;

- NOTING THAT THE CONTINUED ACCUMULATION OF CURRENCIES WHICH THE PROGRAM HAS BEEN UNABLE TO USE CONTRIBUTES SIGNIFICANTLY TO THE PROGRAM'S CURRENT PROBLEMS;

- CONCERNED BY THE DANGERS PRESENTED TO THE PROGRAM BY THIS PRECEDENT OF COUNTRIES CONTRIBUTING IN NON-USABLE CURRENCIES, ESPECIALLY THE POSSIBILITY THAT OTHER COUNTRIES COULD ADOPT THIS OR OTHER RESTRICTIVE CONTRIBUTING PRACTICES AND THEREBY UNDERMINE THE FUNDAMENTAL OPERATIONAL CONCEPT OF THE PROGRAM;

- STRESSING THE URGENCY OF ADDRESSING THE PROBLEM OF THE ACCUMULATION OF THESE NON-USABLE CURRENCIES AND OF AMELIORATING THE OVERALL FINANCIAL SITUATION OF THE PROGRAM;

- BELIEVING THAT A PRACTICAL SOLUTION TO THE

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PROBLEM OF THE ACCUMULATION OF CURRENCIES FOR WHICH
THE PROGRAM CAN FIND NO USE CAN BE ACHIEVED THROUGH
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COOPERATION AMONG ALL THE MEMBERS;

1. ENDORSES AN ARRANGEMENT UNDER WHICH PARTICIPATING
COUNTRIES, DEPENDING ON THEIR NEEDS, MAY PURCHASE,ON A
ONE TIME BASIS, FROM UNDP'S ACCUMULATED NON-CONVERTIBLE
CURRENCY HOLDINGS, SIGNIFICANT QUANTITIES OF CURRENCIES
OF VARIOUS NATIONAL ORIGIN, PROVIDED THAT

- (A) THE COUNTRIES OF ORIGIN OF THE ACCUMULATED
NON-CONVERTIBLE CURRENCIES WOULD AGREE TO ALLOW THE
PURCHASING COUNTRIES TO USE THE CURRENCIES IN THE
COUNTRIES OF ORIGIN WITHOUT RESTRICTION FOR REGULAR
PURPOSES SUCH AS EMBASSY OPERATIONS AND THE LIKE, AND

- (B) THE RATES OF EXCHANGE FOR PURCHASE OF THESE
CURRENCIES FROM THE UNDP BE AT LEAST AS FAVORABLE AS

THE RATES OF EXCHANGE AT WHICH THE CURRENCIES COULD BE
BOUGHT IN THE COUNTRIES OF ORIGIN;

2. SEEKS THE WIDEST POSSIBLE PARTICIPATION IN THIS
ARRANGEMENT FOR THE PURCHASE OF ACCUMULATED CURRENCIES;

3. ASKS THOSE CONTRIBUTORS OF CURRENCIES WHICH THE
PROGRAM HAS NOT BEEN ABLE TO USE TO AGREE TO PARTI-
CIPATE IN THIS MEASURE DESIGNED TO REDUCE THE
AMOUNT OF SUCH ACCUMULATED CURRENCIES;

4. REQUESTS THE ADMINISTRATOR TO ACT AS THE INTER-
MEDIARY IN THE PURCHASE OF THE ACCUMULATED CURRENCIES.

5. DECIDES THAT IN THE EVENT THAT THE PURCHASE
ARRANGEMENT REMAINS UNACCEPTABLE TO THE COUNTRIES OF
ORIGIN OF THE ACCUMULATED CURRENCY, THE FOLLOWING MECHA-
NISM FOR USE OF THESE CURRENCIES WOULD BE AVAILABLE:

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6. THE ADMINISTRATOR WOULD DETERMINE THE AMOUNT OF
EACH COUNTRY'S IPF WHICH IS CURRENTLY SUPPORTED BY
THE UNUSED CURRENCIES BY ATTRIBUTING TO EACH IPF A
PORTION OF THE BALANCE OF SUCH ACCUMULATED CURRENCIES;
THIS WOULD BE DONE BY CALCULATING THE PERCENTAGE OF
TOTAL IPF'S REPRESENTED BY THE ACCUMULATED CURRENCIES

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BY ESTABLISHING THE RATIO BETWEEN ACCUMULATED CURRENCIES DEC1976 AND TOTAL IPF'S FOR THE SECOND DEVELOPMENT CYCLE. THAT PERCENTAGE WOULD THEN BE APPLIED TO EACH COUNTRY'S IPF TO YIELD THE AMOUNT OF THAT COUNTRY'S IPF ATTRIBUTABLE TO THE ACCUMULATED CURRENCIES;

7. PROPOSES THAT EACH RECIPIENT COUNTRY BE ABLE TO SUBSTITUTE ITS OWN OR OTHER USABLE CURRENCY FOR THAT AMOUNT OF ITS IPF ATTRIBUTED TO ACCUMULATED CURRENCIES.

8. FURTHER PROPOSES THAT THE HITHERTO UNUSED CURRENCIES CAN BE USED BY THE RECEIPTIENTCOUNTRIES FOR

EMBASSY/CONSULATE OPERATIONS
IN THE COUNTRIES OF ORIGIN OF THE
ACCUMULATED CURRENCIES.

9. DECIDES THAT EXPENDITURE CEILINGS WILL NOT APPLY TO FUNDS MADE AVAILABLE TO A COUNTRY'S PROGRAM THROUGH THE PROPOSED SUBSTITUTION.

10. URGES THAT ALL FUTURE CONTRIBUTIONS BE MADE IN FULLY USABLE CURRENCIES, IN ACCORDANCE WITH REGULATIONS 6.4 AND 6.5 OF THE FINANCIAL REGULATIONS AND RULES;

11. REQUESTS THE ADMINISTRATOR TO ACT AS THE INTERMEDIARY IN THE IMPLEMENTATION OF THIS DECISION.
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TO AMEMBASSY MOSCOW IMMEDIATE

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12 JAN QUOTE

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E.O. 11652: N/A

TAGS: UNDP, EAID

SUBJECT: UNDP: AIDE-MEMOIRE AND DRAFT U.S. PROPOSAL
ON USE OF ACCUMULATED NON-CONVERTIBLE CURRENCIES

REF: (A) STATE 179843; (B) STATE 213908 (NOTAL);
(C) STATE 236335 (NOTAL); (D) STATE 6774
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1. REF D PROVIDES TALKING POINTS ON PROPOSED U.S.
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STANTIAL AMOUNTS OF THE ACCUMULATED CURRENCIES. THIS OFFER, IN THE FORM OF AN INFORMAL PROPOSAL, WAS PURSUED BILATERALLY WITH A NUMBER OF DONORS, BUT WAS NOT IMPLE-

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- --THE UNDP GOVERNING COUNCIL PRESENTLY PREPARES INDICATIVE PLANNING FIGURES (IPF) FOR EACH COUNTRY IN WHICH UNDP PROGRAMS ARE PLANNED. THESE IPF'S TAKEN TOGETHER REPRESENT THE TOTAL PLANNED EXPENDITURE OVER A FIVE YEAR PERIOD (SECOND DEVELOPMENT CYCLE - 1977-81) TO BE FINANCED BY THE TOTALITY OF CONTRIBUTIONS MADE TO UNDP DURING THAT PERIOD. BECAUSE OF ITS FINAN-CIAL CRISIS, AND ESPECIALLY THE FACT THAT SOME CONTRI-BUTIONS HAVE NOT BEEN USED, UNDP HAS HAD TO IMPOSE COUNTRY-BY-COUNTRY EXPENDITURE CEILINGS LIMITING THE AMOUNT OF FUNDS THAT COULD BE SPENT ANNUALLY WITHIN THESE IPF ALLOCATIONS;

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-- (DOLS MILLIONS)

TOTAL IPF'S, 1977-1981 1947.7

IPF'S OF DONORS IN NON-USABLE
CURRENCIES (68.75)

TOTAL IPF'S - ADJUSTED 1878.95 (A)

BALANCE OF ACCUMULATED CUR-
RENCIES, DEC 31, 1976 38.197 (B)

ELEMENT IN EACH IPF ATTRIBUTABLE TO
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OF ORIGIN OF THE CURRENCIES FOR EMBASSY/CONSULATE
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- --THE MAJOR BENEFIT OF THIS ASPECT OF THE PRO-
POSAL WOULD BE THAT A RECIPIENT COUNTRY WOULD BE ABLE TO
EXCEED ITS CURRENT EXPENDITURE CEILING. IF THE
RECIPIENT COUNTRY COMPLETED THIS CURRENCY SUBSTITUTION
IMMEDIATELY IN 1977, THIS COULD LEAD TO THE AVAILABILITY

-TWEEN EIGHT-TEN PERCENT MORE FUNDS IN THAT YEAR
FOR A COUNTRY'S PROGRAM THAN WOULD OTHERWISE BE EXPENDED.
OBVIOUSLY, AN INCREASE OF THIS SIZE CAN IMPACT HEAVILY
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- UNDER THE PROPOSAL THE POSSIBILITY WOULD BE LEFT
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ANY BALANCES REMAINING AFTER ALL SUBSTITUTIONS
HAVE BEEN MADE BY RECIPIENT COUNTRIES. THE U.S. IS
SEEKING THE WIDEST POSSIBLE CO-SPONSORSHIP FOR THIS
PROPOSAL. WE WISH TO STRESS THAT WHEREAS INITIALLY
THE ACCUMULATION OF NON-USABLE CURRENCIES IN UNDP WAS

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NOT A MATTER OF MAJOR CONCERN, IT HAS SINCE DEVELOPED
INTO A PROBLEM OF MAJOR PROPORTIONS TO A POINT WHERE
THE FINANCIAL STABILITY AND THE VERY NATURE OF UNDP
IS THREATENED. IF THIS PRACTIVE IS NOT STOPPED NOW
IT COULD BE USED AS A PRECEDENT FOR OTHER DONORS TO
RESTRICT THEIR CONTRIBUTIONS. THIS WOULD UNDERMINE
THE PROGRAM'S FRAMEWORK WHICH IS TO PLAN AND
IMPLEMENT A GLOBAL PROGRAM OF TECHNICAL COOPERATION
ASSISTANCE THROUGH A GENERAL FUND COMPOSED OF RESOURCES
WHICH ARE FULLY INTERCHANGEABLE AMONG THEMSELVES.

- THE TOTAL AND SOLE BENEFIT OF THIS PROPOSAL WILL
GO TO DEVELOPING COUNTRIES THROUGH THE RELEASE OF
CURRENTLY IMMOBILIZED ASSETS. A COUNTRY'S DISINCLINA-
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TION TO PARTICIPATE AS A PURCHASER OR TO SUBSTITUTE
CURRENCIES SHOULD NOT PRECLUDE IT FROM ACTING AS A
CO-SPONSOR.

- DRAFT PROPOSAL TO BE CIRCULATED BY U.S. IN UNDP
GOVERNING COUNCIL IS AS FOLLOWS:

THE GOVERNING COUNCIL OF THE UNDP

- CONSCIOUS OF THE PRESSING NEEDS FOR DEVELOPMENT
ASSISTANCE;

- BEARING IN MIND THAT THE FUNDAMENTAL OPERATIONAL
FRAMEWORK OF UNDP IS THE DELIVERY OF TECHNICAL COOPERA-
TION ASSISTANCE TO DEVELOPING COUNTRIES, SUCH ASSIST-
ANCE BEING PLANNED AND IMPLEMENTED ON THE BASIC
PREMISE THAT THE PROGRAM WILL BE FUNDED BY RESOURCES
WHICH ARE FULLY INTERCHANGEABLE AMONG THEMSELVES;

- NOTING THE REPORT OF THE ADMINISTRATOR REGARDING
THE FINANCIAL SITUATION OF THE PROGRAM, WHICH CONTINUES
TO BE A MATTER OF GREAT CONCERN;

- NOTING THE EXPENDITURE CEILINGS INTRODUCED AS A
RESULT OF THE PROGRAM'S LIQUIDITY PROBLEM REMAIN IN
EFFECT;

- VIEWING WITH CONCERN THE PRACTICE OF SOME CONTRI-
BUTORS WHO CONTINUE TO RESTRICT THE USE OF THEIR
CONTRIBUTIONS;

- NOTING THAT THE CONTINUED ACCUMULATION OF CUR-
RENCIES WHICH THE PROGRAM HAS BEEN UNABLE TO USE

CONTRIBUTES SIGNIFICANTLY TO THE PROGRAM'S CURRENT

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PROBLEMS;

- CONCERNED BY THE DANGERS PRESENTED TO THE PROGRAM BY THIS PRECEDENT OF COUNTRIES CONTRIBUTING IN NON-USABLE CURRENCIES, ESPECIALLY THE POSSIBILITY THAT OTHER COUNTRIES COULD ADOPT THIS OR OTHER RESTRICTIVE CONTRIBUTING PRACTICES AND THEREBY UNDERMINE THE FUNDAMENTAL OPERATIONAL CONCEPT OF THE PROGRAM;

- STRESSING THE URGENCY OF ADDRESSING THE PROBLEM OF THE ACCUMULATION OF THESE NON-USABLE CURRENCIES AND OF AMELIORATING THE OVERALL FINANCIAL SITUATION OF THE PROGRAM;

- BELIEVING THAT A PRACTICAL SOLUTION TO THE PROBLEM OF THE ACCUMULATION OF CURRENCIES FOR WHICH THE PROGRAM CAN FIND NO USE CAN BE ACHIEVED THROUGH COOPERATION AMONG ALL THE MEMBERS;

1. ENDORSES AN ARRANGEMENT UNDER WHICH PARTICIPATING COUNTRIES, DEPENDING ON THEIR NEEDS, MAY PURCHASE,ON A ONE TIME BASIS, FROM UNDP'S ACCUMULATED NON-CONVERTIBLE CURRENCY HOLDINGS, SIGNIFICANT QUANTITIES OF CURRENCIES OF VARIOUS NATIONAL ORIGIN, PROVIDED THAT

- (A) THE COUNTRIES OF ORIGIN OF THE ACCUMULATED NON-CONVERTIBLE CURRENCIES WOULD AGREE TO ALLOW THE PURCHASING COUNTRIES TO USE THE CURRENCIES IN THE COUNTRIES OF ORIGIN WITHOUT RESTRICTION FOR REGULAR PURPOSES SUCH AS EMBASSY OPERATIONS AND THE LIKE, AND

- (B) THE RATES OF EXCHANGE FOR PURCHASE OF THESE CURRENCIES FROM THE UNDP BE AT LEAST AS FAVORABLE AS

THE RATES OF EXCHANGE AT WHICH THE CURRENCIES COULD BE BOUGHT IN THE COUNTRIES OF ORIGIN;

2. SEEKS THE WIDEST POSSIBLE PARTICIPATION IN THIS ARRANGEMENT FOR THE PURCHASE OF ACCUMULATED CURRENCIES;

3. ASKS THOSE CONTRIBUTORS OF CURRENCIES WHICH THE PROGRAM HAS NOT BEEN ABLE TO USE TO AGREE TO PARTICIPATE IN THIS MEASURE DESIGNED TO REDUCE THE AMOUNT OF SUCH ACCUMULATED CURRENCIES;

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4. REQUESTS THE ADMINISTRATOR TO ACT AS THE INTER-
MEDIARY IN THE PURCHASE OF THE ACCUMULATED CURRENCIES.

5. DECIDES THAT IN THE EVENT THAT THE PURCHASE
ARRANGEMENT REMAINS UNACCEPTABLE TO THE COUNTRIES OF
ORIGIN OF THE ACCUMULATED CURRENCY, THE FOLLOWING MECHA-
NISM FOR USE OF THESE CURRENCIES WOULD BE AVAILABLE:

6. THE ADMINISTRATOR WOULD DETERMINE THE AMOUNT OF
EACH COUNTRY'S IPF WHICH IS CURRENTLY SUPPORTED BY
THE UNUSED CURRENCIES BY ATTRIBUTING TO EACH IPF A
PORTION OF THE BALANCE OF SUCH ACCUMULATED CURRENCIES;
THIS WOULD BE DONE BY CALCULATING THE PERCENTAGE OF
TOTAL IPF'S REPRESENTED BY THE ACCUMULATED CURRENCIES
BY ESTABLISHING THE RATIO BETWEEN ACCUMULATED CUR-
RENCIES DEC1976 AND TOTAL IPF'S FOR THE SECOND
DEVELOPMENT CYCLE. THAT PERCENTAGE WOULD THEN BE
APPLIED TO EACH COUNTRY'S IPF TO YIELD THE AMOUNT OF
THAT COUNTRY'S IPF ATTRIBUTABLE TO THE ACCUMULATED
CURRENCIES;

7. PROPOSES THAT EACH RECIPIENT COUNTRY BE ABLE TO
SUBSTITUTE ITS OWN OR OTHER USABLE CURRENCY FOR THAT
AMOUNT OF ITS IPF ATTRIBUTED TO ACCUMULATED CURRENCIES.

8. FURTHER PROPOSES THAT THE HITHERTO UNUSED CURRENCIES
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CAN BE USED BY THE RECEIPPIET COUNTRIES FOR

EMBASSY/CONSULATE OPERATIONS
IN THE COUNTRIES OF ORIGIN OF THE
ACCUMULATED CURRENCIES.

9. DECIDES THAT EXPENDITURE CEILINGS WILL NOT APPLY TO
FUNDS MADE AVAILABLE TO A COUNTRY'S PROGRAM THROUGH THE
PROPOSED SUBSTITUTION.

10. URGES THAT ALL FUTURE CONTRIBUTIONS BE MADE IN FULLY
USABLE CURRENCIES, IN ACCORDANCE WITH REGULATIONS 6.4 AND
6.5 OF THE FINANCIAL REGULATIONS AND RULES;

11. REQUESTS THE ADMINISTRATOR TO ACT AS THE INTER-
MEDIARY IN THE IMPLEMENTATION OF THIS DECISION.
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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Status: NATIVE
Subject: UNDP: AIDE-MEMOIRE AND DRAFT U.S. PROPOSAL ON USE OF ACCUMULATED NON-CONVERTIBLE CURRENCIES
TAGS: EAID, US, UNDP
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